

Message Text

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PAGE 01 THE HA 03134 161100Z

42

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AF-10 AGR-20 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-15 STR-08 CEA-02 DODE-00 PM-07 H-03 L-03 PA-03

PRS-01 USIA-12 INT-08 TAR-02 RSR-01 /217 W

----- 094800

R 161025Z JUL 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1658

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: FOREIGN REACTION TO POTENTIAL U.S. AGRICULTURAL EXPORT
CONTROLS

REF: A. STATE 135419

B. HAGUE 2926

C. HAGUE 2936

D. HAGUE 2949

E. HAGUE 2976

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PAGE 02 THE HA 03134 161100Z

SUMMARY: REACTION OF DUTCH FOOD SUPPLY COMMUNITY IMMEDIATE AND

STRONGLY NEGATIVE. MAJOR THEME HAS BEEN "UNFAIRNESS" OF TAKING ENTIRE SHORTFALL OF SUPPLY POSITION OUT OF HAND OF FOREIGN CUSTOMERS. DUTCH CONCERNED THAT U.S. MAY PLACE EXPORT LIMITATION ON CORN. WE FORESEE NO MAJOR IMPACT ON OFFICIAL POLICY. END SUMMARY.

1. REACTION OF DUTCH FOOD SUPPLY COMMUNITY TO U.S. COMPOSITION OF EXPORT CONTROLS ON SOYBEANS, COTTONSEED AND PRODUCTS WAS IMMEDIATE AND STRONGLY NEGATIVE. AS REPORTED REF B, EMBASSY RECEIVED TELEXED PROTESTS FROM NETHERLANDS GRAIN TRADE COMMITTEE, ASSOCIATION OF DUTCH OILSEED CRUSHERS, ASSOCIATION OF OIL REFINERS AND MARGARINE INDUSTRIES, ASSOCIATION OF COMPOUND FEED INDUSTRIES, AND GRANARIA B.V. (PRIVATE FIRM). SINCE REF B, EMBASSY HAS RECEIVED PROTEST TELEXES FROM PRESIDENT OF NETHERLANDS AGRICULTURAL BOARD, WHICH REPRESENTS ALL NETHERLANDS FARM ORGANIZATIONS, AND FROM PRESIDENT OF NETHERLANDS OILS, FATS AND OILSEED TRADE ASSOCIATION. VERBATIM TEXTS OF TELEXES RECEIVED BY EMBASSY HAVE BEEN TRANSMITTED TO

FAS AND EMS, USDA, FOR DISTRIBUTION AS APPROPRIATE.

2. OUTSIDE OF DEEP CONCERN AS TO IMPACT OF EXPORT RESTRICTIONS ON NETHERLANDS LIVESTOCK INDUSTRY, MAJOR THEME HAS BEEN "UNFAIRNESS" OF U.S. LIMITING EXPORTS TO CERTAIN PERCENTAGES BUT NOT APPLYING SAME PERCENTAGE RESTRICTIONS TO DOMESTIC U.S. UTILIZATION DURING PERIOD OF EMERGENCY. IN SHORT, U.S. IS ACCUSED OF TAKING ENTIRE SHORTFALL OF SUPPLY POSITION OUT OF HAND OF FOREIGN CUSTOMERS.

3. AS REPORTED REF C AND D, AGATT WAS CALLED TO MINAG BY DIRECTOR-GENERAL FOR FOOD SUPPLIES DE ZEEUW AND CHARGE WAS CALLED TO MINECON BY MIN LUBBERS TO RECEIVE STRONG EXPRESSIONS OF CONCERN. ADDITIONALLY, AS REPORTED REF E, INFORMAL DUTCH GROUP HEADED BY DE ZEEUW VISITED WASHINGTON LAST WEEK TO TAKE INFORMAL SOUNDINGS ON EXPORT RESTRICTIONS SITUATION.

4. NETHERLANDS TRADE, BOTH FOR FEED INGREDIENTS AND OILSEED PROCESSING INDUSTRY, IS DEEPLY UPSET WITH LIMITATIONS NOT ONLY BECAUSE OF FINANCIAL CONSEQUENCES BUT BECAUSE OF JUDICIAL SNARLS ARISING FROM INABILITY TO FULFILL CONTRACTS MANY OF WHICH COVER FORWARD SALES EXTENDING OVER SEVERAL MONTHS. LIMITED OFFICIAL USE

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PAGE 03 THE HA 03134 161100Z

ADDITIONAL DEEP CONCERN IS THAT U.S. MAY PLACE EXPORT LIMITATIONS ON CORN.

5. INITIAL REACTIONS OF GOVERNMENTAL OFFICIALS ARE THAT U.S. EXPORT LIMITATIONS (1) SHARPLY UNDERMINE U.S. OBJECTIVES OF LIBERALIZING AGRICULTURAL TRADE IN MTN, (2) STRENGTHEN HAND THOSE WANTING TO REGULATE WORLD AGRICULTURAL TRADE BY INTER-GOVERNMENTAL COMMODITY AGREEMENTS, AND (3) STRENGTHEN

POSITION OF THOSE WHO ADVOCATE MAXIMUM POSSIBLE EC SELF-SUFFICIENCY AND SUPPORT THE CAP IN EXTREME AND RESTRICTIVE FORM.

6. OFFHAND, WE WOULD DOUBT THAT RESTRICTIONS WILL SIGNIFICANTLY AFFECT DUTCH ATTITUDES IN C-20 MONETARY DISCUSSIONS SINCE EMERGENCY FOOD SUPPLY SITUATIONS OF THIS KIND ARE HARDLY AMENABLE TO MONETARY SOLUTIONS. THERE DOUBTLESS HAS BEEN, HOWEVER, SOME EROSION OF U.S. CREDIBILITY WHICH WILL SPILL OVER INTO SUBSTANTIVELY UNRELATED NEGOTIATIONS OF THIS KIND.

7. SOME IMPACT ON DUTCH POSITIONS IN TRADE POLICY AREA IS INEVITABLE BUT IS NOT EXPECTED TO BE EXTREME. WE CAN ASSUME THAT DUTCH WILL NO LONGER ACTIVELY OPPOSE FRENCH PROPOSAL ON SOYBEAN CAP, FOR EXAMPLE, BUT TOP DUTCH TRADE POLICY FORMULATOR (MINECON DIRGEN VAN OORSCHOT) TOLD ECON/COMMERCIAL COUNSELOR JULY 13 THAT HE SAW NO REASON WHY TEMPORARY U.S. EXPORT RESTRICTIONS OF THIS KIND SHOULD INFLUENCE DUTCH POSITION IN ART. 24:6 NEGOTIATIONS OR IN MTN. HE ACKNOWLEDGED, HOWEVER, THAT EC NEGOTIATORS WOULD EXPLOIT THIS SITUATION IF IT SHOULD SUIT THEIR PURPOSE.

8. ON BALANCE, WE BELIEVE U.S. RESTRICTIONS (1) WILL STIMULATE SECTORS AFFECTED TO HAVE NEW LOOK AT ALTERNATIVE PROTEIN SOURCES, (2) WILL HAVE SOME ENDURING IMPACT ON U.S. IMAGE AS DEPENDABLE SUPPLY SOURCE, BUT (3) WILL NOT DETER GON FROM BASIC DETERMINATION TO SEE TRADE AND MONETARY NEGOTIATIONS THROUGH TO SUCCESSFUL CONCLUSION.
TANGUY

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